

AR03




**HARDEE  
FARMS  
INTERNATIONAL  
LTD.**

16th ANNUAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 1, 1974







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## SIX YEAR REVIEW

	1974	1973	1972	1971	1970	1969
	\$	\$	\$	\$	\$	\$
<b>OPERATING RESULTS</b>						
Sales - - - - -	13,867,801	12,687,593	9,541,600	8,108,437	6,477,479	5,018,567
Cost of sales and other expenses - - -	11,976,229	11,261,689	8,524,983	7,165,096	5,929,569	4,615,101
Depreciation - - - - -	300,191	225,297	185,694	169,836	106,812	81,131
	12,276,420	11,486,986	8,710,677	7,334,932	6,036,381	4,696,232
Earnings from operations before interest -	1,591,381	1,200,607	830,923	773,505	441,098	322,335
Interest - - - - -	502,310	491,289	427,586	429,707	295,765	309,031
Earnings before non-recurring items and provision for income taxes - - - -	1,089,071	709,318	403,337	343,798	145,333	13,304
Non-recurring items - - - - -	—	—	18,156	122,851	—	—
Provision for income taxes - - - -	(528,000)	(325,000)	(210,000)	(238,500)	(83,000)	—
	561,071	384,318	211,493	228,149	62,333	13,304
Share of earnings of effectively controlled company before extraordinary items -	139,263	130,062	119,426	—	—	—
Earnings for the year before extraordinary items - - - - -	700,334	514,380	330,919	228,149	62,333	13,304
Extraordinary items - - - - -	799,773	480,060	203,665	233,923	72,312	(303,364)
Net earnings (loss) for the year - - -	1,500,107	994,440	534,584	462,072	134,645	(290,060)

## FINANCIAL POSITION

Total assets - - - - -	12,985,191	11,873,511	11,331,383	10,860,912	10,325,477	8,488,053
Total liabilities - - - - -	6,526,956	6,916,058	6,618,260	6,119,379	6,064,516	4,947,232
	6,458,235	4,957,453	4,713,123	4,741,533	4,260,961	3,540,821
Preferred shares - - - - -	—	—	971,200	971,200	971,200	971,200
Total net assets - - - - -	6,458,235	4,957,453	3,741,923	3,770,333	3,289,761	2,569,621
Represented by:						
Common share capital - - - - -	3,881,391	3,880,716	9,969,354	9,957,353	9,938,853	9,928,354
Retained Earnings (Deficit) - - - -	2,576,844	1,076,737	(6,227,431)	(6,187,020)	(6,649,092)	(7,358,733)
	6,458,235	4,957,453	3,741,923	3,770,333	3,289,761	2,569,621

Charges to the deficit account in 1970 and 1971 have been reflected in 1969.

## EARNINGS PER SHARE

Earnings before non-recurring items and provision for income taxes - - - -	24¢	15¢	8¢	7¢	2¢	.3¢
Earnings for the year before extraordinary items - - - - -	15¢	11¢	6¢	5¢	.6¢	.3¢
Net earnings (loss) for the year - - -	33¢	22¢	11¢	10¢	2¢	(7¢)
Book value - - - - -	\$1.40	\$1.08	91¢	92¢	80¢	63¢
Total shares outstanding - - - - -	4,603,178	4,602,728	4,128,436	4,115,102	4,090,435	4,076,436

The above summary reflects the related equity accounting for all periods since the date of acquisition.



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**ANNUAL MEETING**

The Annual Meeting of Shareholders will be held in the British Columbia Room, of the Royal York Hotel, 100 Front Street West, Toronto, Ontario at 11:00 o'clock in the forenoon on Thursday, September 19, 1974.



#### **BOARD OF DIRECTORS**

*D. E. Foyston	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
C. H. Franklin	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
*F. D. Lace	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
*J. A. McKechnie	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
E. R. S. McLaughlin	-	-	-	-	-	-	-	-	-	-	-	-	Oshawa
R. A. McNair	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
R. P. Ritchie	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
*D. L. Sinclair	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
A. W. Walker	-	-	-	-	-	-	-	-	-	-	-	-	Toronto

Audit Committee Chairman (\*\*) and Members (\*)

#### **EXECUTIVE OFFICERS**

C. H. Franklin	-	-	-	-	-	-	-	-	-	-	-	-	Chairman of the Board and Chief Executive Officer
A. W. Walker	-	-	-	-	-	-	-	-	-	-	-	-	President
W. Ross Abbott	-	-	-	-	-	-	-	-	-	-	-	-	Vice President Corporate Affairs, Secretary
N. E. Collings	-	-	-	-	-	-	-	-	-	-	-	-	Vice President Fresh Produce Division
R. E. Richards	-	-	-	-	-	-	-	-	-	-	-	-	Vice President Frozen Foods Division
S. D. Somers	-	-	-	-	-	-	-	-	-	-	-	-	Treasurer

#### **AUDITORS**

Coopers & Lybrand	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
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#### **SOLICITORS**

Fasken & Calvin	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
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#### **BANKERS**

The Royal Bank of Canada	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
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#### **REGISTRAR AND TRANSFER AGENT**

The Canada Trust Company	-	-	-	-	-	-	-	-	-	-	-	-	Toronto, Montreal and Winnipeg
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#### **EXECUTIVE OFFICES**

931 Yonge Street	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
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## REPORT TO SHAREHOLDERS

Continued growth and improvement in all phases of your Company's operations is reflected in the accompanying financial statements covering the year ended June 1, 1974.

Sales increased by 9.3% during fiscal 1974 to stand at \$13,867,801, an amount more than two and one half times higher than the level realized five years ago.

Earnings before extraordinary items at \$700,334 or 15¢ per share for 1974 compare with the previous year's \$514,380 or 11¢ per share for an increase of 36% for the year. The increased profits were largely derived from improved efficiencies and expanding sales of the frozen and freeze-dried products, coupled with phased reduction of the automotive division.

Final net earnings amounted to \$1,500,107 or 33¢ per share by comparison with \$994,440 or 22¢ per share in 1973 for an increase of 50%.

Working capital improved by \$843,368 during the year to attain a level of \$1,455,271 and a current ratio of 1.56:1 against the 1973 year end ratio of 1.27:1.

Long term debt was reduced by a net amount of \$803,028 in fiscal 1974. Of interest in this regard is the fact that subsequent to June 1, 1974, an amount of \$651,742 was realized on exercise of the outstanding option to purchase your Company's Florida lands. Proceeds from this sale have since been applied to further reduce the long term debt payable to Algonquin Building Credits Limited.

Phase-out of the automotive division was completed in 1974 and subsequent to fiscal year end the related inventories, machinery and equipment were sold at their approximate book values. The valuable Toronto real estate formerly utilized by the automotive division is being retained as an investment by your Company.

Hardee's operations are now concentrated entirely on Canadian food production for processing and sale in fresh, frozen and freeze-dried forms. It is anticipated that any future acquisition and expansion policy will continue this focus.

Results of the first full year's ownership of Freeze-Dry Foods Limited have been gratifying. Increased volume necessitated an addition to the Oakville plant and construction is currently in progress. Extended uses for this relatively new process are continually emerging and promising possibilities are constantly being reviewed within Freeze-Dry Foods' own research facilities.

Demand for your Company's fresh produce, frozen vegetables and frozen french fried potatoes continues at a high level and production capability was further expanded during the past year. Additional raw potato storage buildings are currently under construction to accommodate increased potato processing activities and further expansion of the major frozen storage facility built at Ingersoll two years ago is under review.

In accordance with new requirements placed upon





all public companies, Hardee has been obliged to apply the equity method of accounting for its 49.9% interest in Federal Diversiplex Limited. The effects of this change in accounting are outlined in accompanying notes to the financial statements.

The improvement in Federal's operating results during the year ended March 30, 1974, is significant. Pre-tax earnings from that Company's operations amounted to \$160,126 by comparison with an operating loss of \$25,476 recorded in 1973 after incorporating a gain of \$38,220 realized in that year on disposal of fixed assets. Exclusive of that gain, 1974 operating results reflected an improvement of \$223,822 over comparable figures for the 1973 fiscal year. Federal's final net earnings for the 1974 year amounted to \$701,672 or 79¢ per share after taking into account extraordinary income resulting chiefly from sale of the Valley View Dairies real estate and operations.

Outlook for continuing equity and earnings increases from your Company's investment in Federal is favourable. Acquisition during the year of the HONEYDEW Products Division with its Canadian and foreign trademarks, formulae and goodwill has given Federal a major marketing opportunity in the retail and institutional fruit based beverage business. Familiar non-carbonated HONEYDEW orange and grape drinks have recently been introduced into the U.S. market and new products, conforming to the high quality image associated with the HONEYDEW label are scheduled for preliminary introduction in

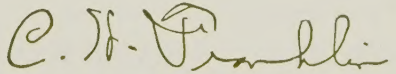
Canada. It is expected that this profitable beverage division will be a major contributor to Federal's future success.

The previously reported pilot operation for production by Federal of heat processed vegetables in flexible vacuum packages under license from Hardee has been completed at Bradford and these non-refrigerated long shelf life products are now entering the market place.

Federal has also become engaged during the past year, in the production of fresh, peeled, pot-ready products such as potatoes, onions and carrots, for sale on a daily basis to hotels, caterers and other institutional outlets. These new activities, combined with the production and sale of packaged and bulk vegetables from the Company's extensive farm and storage buildings in the Bradford area provide Federal with a promising base for future operations.

Your Directors have been pleased to report continued growth and success in Hardee's affairs and hold confidence in the long term prospects for your Company. The effective and energetic work of all employees throughout the past year is acknowledged with appreciation.

Respectfully submitted  
on behalf of the Board

  
*Chairman and Chief Executive Officer*

Toronto, Ontario  
July 25, 1974

# HARDEE FARMS INTERNATIONAL LTD.

## CONSOLIDATED BALANCE SHEET AS AT JUNE 1, 1974

ASSETS	1974 \$	1973 (restated) \$
CURRENT ASSETS		
Accounts receivable, less provision for doubtful accounts - - - - -	1,346,611	1,164,023
Inventories (note 3) - - - - -	2,244,192	1,373,592
Current portion of mortgages receivable (note 4) - - - - -	35,322	41,471
Prepaid crop and other expenses - - - - -	445,472	315,217
	<u>4,071,597</u>	<u>2,894,303</u>
INVESTMENTS		
Shares (note 1) - - - - -	1,417,564	971,528
Mortgages receivable less current portion (note 4) - - - - -	768,266	894,122
	<u>2,185,830</u>	<u>1,865,650</u>
ASSETS HELD FOR SALE (note 5) - - - - -	1,651,742	2,259,868
FIXED ASSETS (note 6) - - - - -	4,222,007	3,999,675
EXCESS OF PURCHASE PRICE OF SHARES OF SUBSIDIARIES OVER BOOK VALUE THEREOF - - - - -	854,015	854,015
Signed on Behalf of the Board		
C. H. FRANKLIN, <i>Director</i>		
F. D. LACE, <i>Director</i>		
	<u>12,985,191</u>	<u>11,873,511</u>





## LIABILITIES

	1974 \$	1973 (restated) \$
CURRENT LIABILITIES		
Bank advances (note 7) - - - - -	1,465,436	1,133,520
Accounts payable and accrued liabilities - - - - -	895,954	837,340
Current instalments of long-term debt (note 8) - - - - -	254,936	311,540
	<u>2,616,326</u>	<u>2,282,400</u>
LONG-TERM DEBT, less current instalments (note 8) - - - - -	3,830,630	4,633,658
DEFERRED INCOME TAXES - - - - -	80,000	—
	<u>6,526,956</u>	<u>6,916,058</u>

## SHAREHOLDERS' EQUITY

### CAPITAL STOCK

Authorized—

40,250 first preferred shares of the par value of \$100 each, issuable in series

6,000,000 common shares of no par value

Issued and fully paid (note 10)—

4,603,178 common shares (1973—4,602,728 shares) - - - - -	3,881,391	3,880,716
RETAINED EARNINGS (note 9) - - - - -	<u>2,576,844</u>	<u>1,076,737</u>
	<u>6,458,235</u>	<u>4,957,453</u>
	<u>12,985,191</u>	<u>11,873,511</u>

**HARDEE FARMS INTERNATIONAL LTD.****CONSOLIDATED STATEMENT OF EARNINGS**

For the year ended June 1, 1974

	1974 \$	1973 (restated) \$
SALES - - - - -	13,867,801	12,687,593
COST OF SALES AND OTHER EXPENSES - - - - -	11,976,229	11,261,689
DEPRECIATION - - - - -	300,191	225,297
	<u>12,276,420</u>	<u>11,486,986</u>
EARNINGS FROM OPERATIONS BEFORE INTEREST - - - - -	1,591,381	1,200,607
INTEREST - - - - -	502,310	491,289
EARNINGS FROM OPERATIONS BEFORE PROVISION FOR INCOME TAXES -	<u>1,089,071</u>	<u>709,318</u>
PROVISION FOR INCOME TAXES		
Current - - - - -	493,000	325,000
Deferred (subsidiary) - - - - -	35,000	—
	<u>528,000</u>	<u>325,000</u>
	561,071	384,318
SHARE OF EARNINGS OF EFFECTIVELY CONTROLLED COMPANY BEFORE EXTRAORDINARY ITEMS (note 1) - - - - -	<u>139,263</u>	<u>130,062</u>
EARNINGS FOR THE YEAR BEFORE EXTRAORDINARY ITEMS - - - - -	700,334	514,380
EXTRAORDINARY ITEMS (note 11) - - - - -	799,773	480,060
NET EARNINGS FOR THE YEAR - - - - -	<u>1,500,107</u>	<u>994,440</u>
EARNINGS PER COMMON SHARE		
Earnings before provision for income taxes - - - - -	<u>\$0.24</u>	<u>\$0.15</u>
Earnings before extraordinary items - - - - -	<u>\$0.15</u>	<u>\$0.11</u>
Net earnings for the year - - - - -	<u>\$0.33</u>	<u>\$0.22</u>

Earnings per common share on a fully diluted basis are not significantly different from those reported above. The earnings per share have been calculated for 1974 on 4,602,993 shares and for 1973 on 4,602,728 shares.

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

For the year ended June 1, 1974

	1974 \$	1973 \$
RETAINED EARNINGS (DEFICIT)—BEGINNING OF YEAR		
As previously reported - - - - -	827,248	(6,346,858)
Adjustment for change to equity method of accounting for effectively controlled company (note 1) - - - - -	249,489	119,427
As restated - - - - -	1,076,737	(6,227,431)
Elimination of deficit (before restatement) pursuant to reorganization - -	—	6,346,858
Reorganization costs - - - - -	—	(37,130)
Net earnings for the year - - - - -	<u>1,500,107</u>	<u>994,440</u>
RETAINED EARNINGS—END OF YEAR (note 9) - - - - -	<u>2,576,844</u>	<u>1,076,737</u>



**HARDEE FARMS INTERNATIONAL LTD.**

**CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS**

For the year ended June 1, 1974

	1974 \$	1973 (restated) \$
<b>SOURCE OF FUNDS</b>		
Net earnings for the year - - - - -	1,500,107	994,440
Add : Depreciation and deferred income taxes - - - - -	335,191	225,297
	<u>1,835,298</u>	<u>1,219,737</u>
Less : Share of earnings of effectively controlled company (note 1) - -	446,036	130,062
	<u>1,389,262</u>	<u>1,089,675</u>
Reduction in mortgages receivable - - - - -	325,856	986,472
Additions to long-term debt - - - - -	100,000	3,034,538
Proceeds on disposal of assets held for sale - - - - -	594,215	—
Other - - - - -	45,000	—
	<u>2,454,333</u>	<u>5,110,685</u>
<b>USE OF FUNDS</b>		
Purchase of fixed assets - - - - -	508,612	679,750
Reduction of long-term debt - - - - -	902,353	947,068
Mortgage receivable from disposal of assets held for sale - - - - -	200,000	—
Non-current assets of subsidiary at date of acquisition - - - - -	—	275,781
Reorganization costs - - - - -	—	37,130
	<u>1,610,965</u>	<u>1,939,729</u>
INCREASE IN WORKING CAPITAL - - - - -	843,368	3,170,956
WORKING CAPITAL (DEFICIENCY)—BEGINNING OF YEAR - - - - -	611,903	(2,559,053)
WORKING CAPITAL—END OF YEAR - - - - -	<u>1,455,271</u>	<u>611,903</u>

## HARDEE FARMS INTERNATIONAL LTD.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 1, 1974

#### 1. BASIS OF CONSOLIDATION

The consolidated financial statements include all the subsidiaries of the company. In accordance with the recommendations of the Canadian Institute of Chartered Accountants, the company adopted in 1974 the equity method of accounting for its 49.9% interest in the outstanding common shares of Federal Diversiplex Limited. Under this method the company includes in consolidated earnings its proportionate share of the earnings and losses of that effectively controlled company.

1974 earnings accordingly include the company's share of the earnings of Federal Diversiplex Limited for its year ended March 30, 1974. Restated earnings for 1973 include the company's share of the losses of Federal Diversiplex Limited for its year ended March 31, 1973. The effect of this change in accounting, which has been applied retroactively to all periods since the date of acquisition, has been to increase earnings as follows :

	1974 \$	1973 \$	1972 \$	Total \$
Earnings before extraordinary items - - - - -	139,263	130,062	119,426	388,752
Extraordinary items (note 11) - - - - -	306,773	—	—	306,773
	<u>446,036</u>	<u>130,062</u>	<u>119,426</u>	<u>695,525</u>

These amounts include as earnings before extraordinary items \$95,200 for 1974; \$142,800 for 1973 and \$190,400 for 1972 which represent amortization of the excess of the proportionate share of the net assets of Federal Diversiplex Limited acquired over the cost of the investment therein to the company. Since this difference is considered to represent an allowance in the purchase cost for a low return on the investment expected at that time, it is being brought into the earnings of the company on a sum-of-the-digits basis over a period of four years from the date of acquisition. \$47,600 of this difference remains to be brought into earnings in the year ended May 31, 1975.

The investment in Federal Diversiplex Limited is represented by 445,092 common shares at a cost of \$722,039, together with the proportionate share of that company's earnings of \$695,525 as indicated above.

#### 2. FOREIGN EXCHANGE

Individual assets and liabilities in U.S. dollars have been stated at par, and an adjustment has been made in the accounts to give effect to the conversion of net current assets in U.S. dollars to Canadian dollars at the rate of exchange prevailing at June 1, 1974.

#### 3. INVENTORIES

Inventories are classified and valued as follows :

	1974 \$	1973 \$
At the lower of cost or replacement cost—		
Foodstuffs and supplies - - - - -	2,053,247	1,111,708
Automotive engines and supplies - - - - -	45,806	149,446
	<u>2,099,053</u>	<u>1,261,154</u>
At cost, less amounts written off—		
Containers - - - - -	145,139	112,438
	<u>2,244,192</u>	<u>1,373,592</u>

#### 4. MORTGAGES RECEIVABLE—AT COST

	Current \$	Long-term \$	Total 1974 \$	Total 1973 \$
10½%, due May 1, 1981, payable \$10,000 principal and interest quarterly - - - - -	19,417	182,824	202,241	219,836
7%, due December 29, 1976, payable \$15,000 principal and interest per annum - - - - -	5,133	135,822	140,955	145,752
7%, due January 27, 1977, payable \$20,000 principal and interest per annum - - - - -	8,229	159,926	168,155	175,846
7%, due March 6, 1977, payable \$9,000 principal and interest per annum - - - - -	2,543	89,694	92,237	94,320





	Current \$	Long- term \$	Total 1974 \$	Total 1973 \$
8%, due July 1, 1982 payable interest only to 1974 and payable \$28,471 principal and interest per annum thereafter - - - - -	—	200,000	200,000	—
7%, due December 29, 1978, payable \$30,000 principal and interest per annum - - - - -	—	—	—	299,839
	<u>35,322</u>	<u>768,266</u>	<u>803,588</u>	<u>935,593</u>

The long-term portion includes \$585,442 in U.S. funds.

## 5. ASSETS HELD FOR SALE

Assets held for sale, valued at net realizable value, are as follows :

	\$
Land valued on basis of lease options outstanding - - - - -	1,051,742
Other lands (approximately 4,600 acres) at values assigned by the directors in 1971 - - - - -	600,000
	<u>1,651,742</u>

Subsequent to the year end, the company received \$651,742 on the exercise of an outstanding lease option.

## 6. FIXED ASSETS

Fixed assets are as follows :

	1974 \$	1973 \$
Buildings and equipment—at cost - - - - -	5,203,150	4,844,714
Accumulated depreciation - - - - -	<u>1,808,994</u>	<u>1,531,104</u>
	3,394,156	3,313,610
Land - - - - -	<u>827,851</u>	<u>686,065</u>
	<u>4,222,007</u>	<u>3,999,675</u>

In 1973 a subsidiary received a loan of \$100,000 from The Ontario Development Corporation, which loan is forgivable at the rate of \$10,000 annually to 1977 and \$50,000 in 1978 if the subsidiary maintains operations at the plant for which the loan was obtained. Based upon the expectation of continuing such operations, the amount of the loan has been applied as a reduction in cost of the related plant and equipment.

## 7. BANK ADVANCES

Bank advances are secured by a pledge of shares in subsidiaries, assignments of book debts and inventories, and a \$1,500,000 floating charge debenture of Canadian assets.

## 8. LONG-TERM DEBT

	Current portion \$	Long-term portion \$	Total 1974 \$	Total 1973 \$
6% promissory note due January 1, 1981 payable \$5,462 per annum - - - - -	5,462	32,769	38,231	43,693
8% mortgage due December 1, 1977, payable \$30,000 principal and interest semi-annually - - - - -	18,768	262,023	280,791	316,190
8½% mortgage due June 2, 1979, payable \$2,000 per annum - - - - -	2,000	23,500	25,500	27,000
8% mortgage due June 6, 1987, payable \$1,200 per annum - - - - -	1,200	23,700	24,900	26,100
8½% mortgage due August 15, 1983 payable \$4,928 principal and interest monthly - - - - -	30,924	320,783	351,707	380,161
Mortgage (interest at prime plus 2%) due August 15, 1983 payable \$25,000 per annum - - - - -	25,000	175,000	200,000	225,000
8% notes due December 7, 1976 - - - - -	—	170,000	170,000	170,000

	Current portion \$	Long-term portion \$	Total 1974 \$	Total 1973 \$
6% convertible notes due December 31, 1976 (note 10)	—	712,305	712,305	712,980
Bank loan (interest at prime plus 2%) due May 31, 1981, payable \$37,500 quarterly - - - - -	150,000	900,000	1,050,000	1,200,000
6½% mortgage due June 1, 1987 payable \$8,125 per annum - - - - -	—	—	—	126,500
Sundry - - - - -	5,677	104,320	109,997	60,574
	<u>239,031</u>	<u>2,724,400</u>	<u>2,963,431</u>	<u>3,288,198</u>
Note payable to Algonquin Building Credits Limited (interest at prime plus 2%) - - - - -	15,905	1,106,230	1,122,135	1,657,000
	<u>254,936</u>	<u>3,830,630</u>	<u>4,085,566</u>	<u>4,945,198</u>

The note payable to Algonquin Building Credits Limited is secured by an assignment of U.S. mortgages receivable and a \$3,550,000 floating charge debenture of which \$1,500,000 on Canadian assets is secondary to the security given for bank advances as explained in note 7. By present agreement repayment requirements on this demand note do not exceed collections on the mortgages receivable given as collateral and the current portion shown above equals the current portion of such mortgages. The proceeds of \$651,742 received subsequent to the year end on the exercise of an outstanding lease option (note 5) were applied in reduction of this indebtedness.

#### 9. RETAINED EARNINGS

Retained earnings represents the earnings of the company since the date of reorganization, May 27, 1972.

#### 10. CAPITAL STOCK

Of the authorized and unissued common shares, 509,870 are reserved for the following :

Stock options (including 30,000 for officers) exercisable at various dates to August 27, 1974 at 90¢ per share - - - - -	35,000
6% convertible notes exercisable at any time up to December 31, 1976 at \$1.50 per share - - - - -	474,870
	<u>509,870</u>

During the year 450 common shares were issued at \$1.50 per share on the conversion of the 6% convertible notes.

#### 11. EXTRAORDINARY ITEMS

Extraordinary items include the following :

	1974 \$	1973 \$
Reduction of income taxes on application of prior years' losses (including \$53,500 in 1974 in respect of effectively controlled company) - - - - -	546,500	320,060
Gain on sale of assets used in discontinued operations of effectively controlled company - - - - -	253,273	—
Proceeds of life insurance previously carried by subsidiary acquired - - - - -	—	160,000
	<u>799,773</u>	<u>480,060</u>

#### 12. REMUNERATION OF DIRECTORS AND OFFICERS

	1974	1973
Number of directors - - - - -	9	9
Aggregate remuneration as directors - - - - -	\$ 2,000	\$ 1,640
Number of officers - - - - -	6	6
Aggregate remuneration as officers - - - - -	\$147,600	\$134,166
Number of directors who are also officers - - - - -	2	2

#### 13. INCOME TAXES

The company can reduce income subject to taxes by approximately \$1,300,000 because of depreciation and other write-offs of fixed assets which have not yet been claimed for tax purposes.

Of the \$1,300,000 available, approximately \$400,000 may be claimed in 1975 by the refiling of tax returns, and approximately \$900,000 can be claimed in future periods depending on the maximum depreciation for tax purposes available in each year.





### AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Hardee Farms International Ltd. as at June 1, 1974 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 1, 1974 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change to the equity method of accounting referred to in note 1, on a basis consistent with that of the preceding year.

COOPERS & LYBRAND  
*Chartered Accountants*

Toronto, Canada  
July 5, 1974



HARDEE FARMS INTERNATIONAL LTD.



FREEZE-DRY FOODS LIMITED



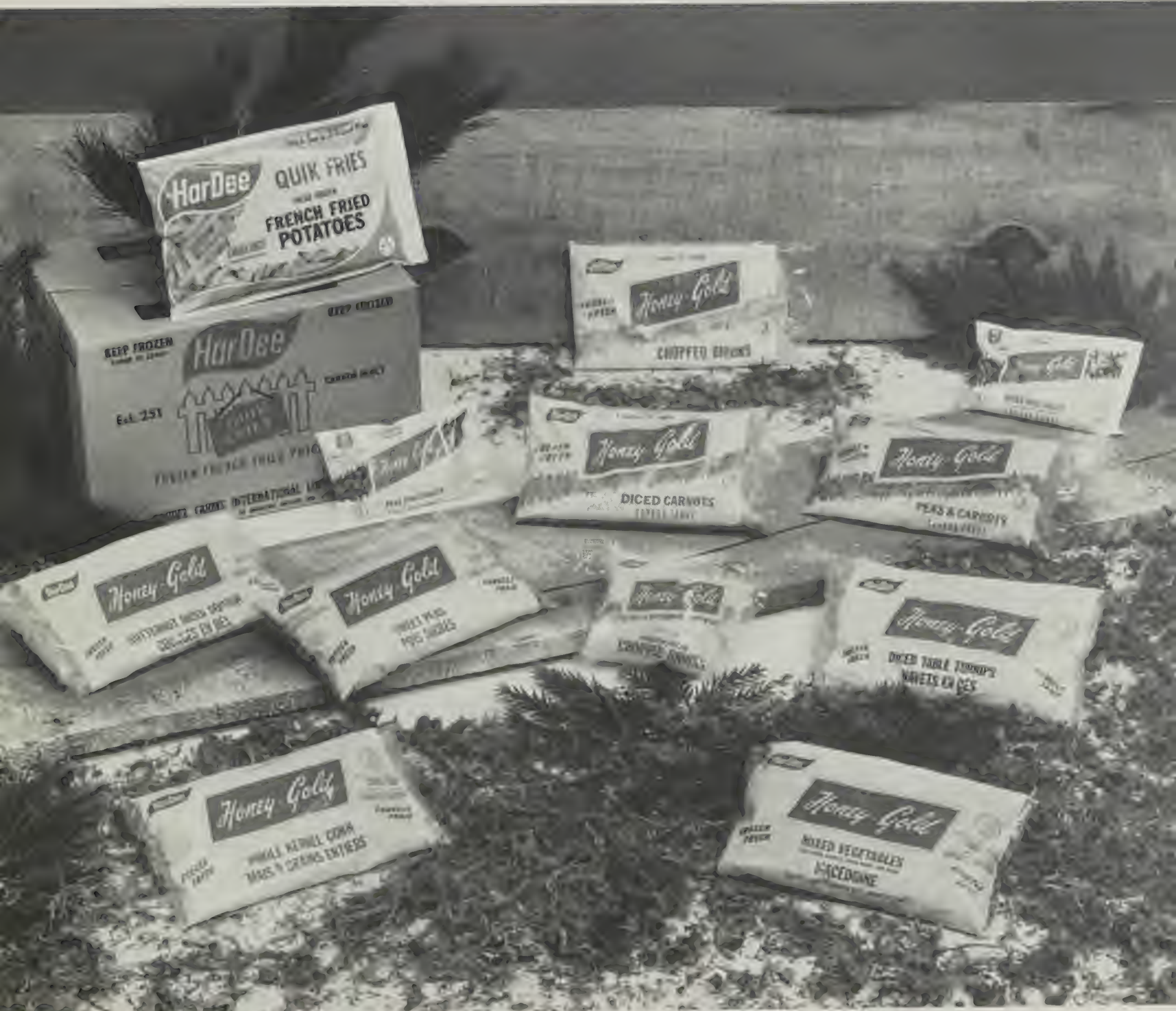
FEDERAL DIVERSIPLEX LIMITED







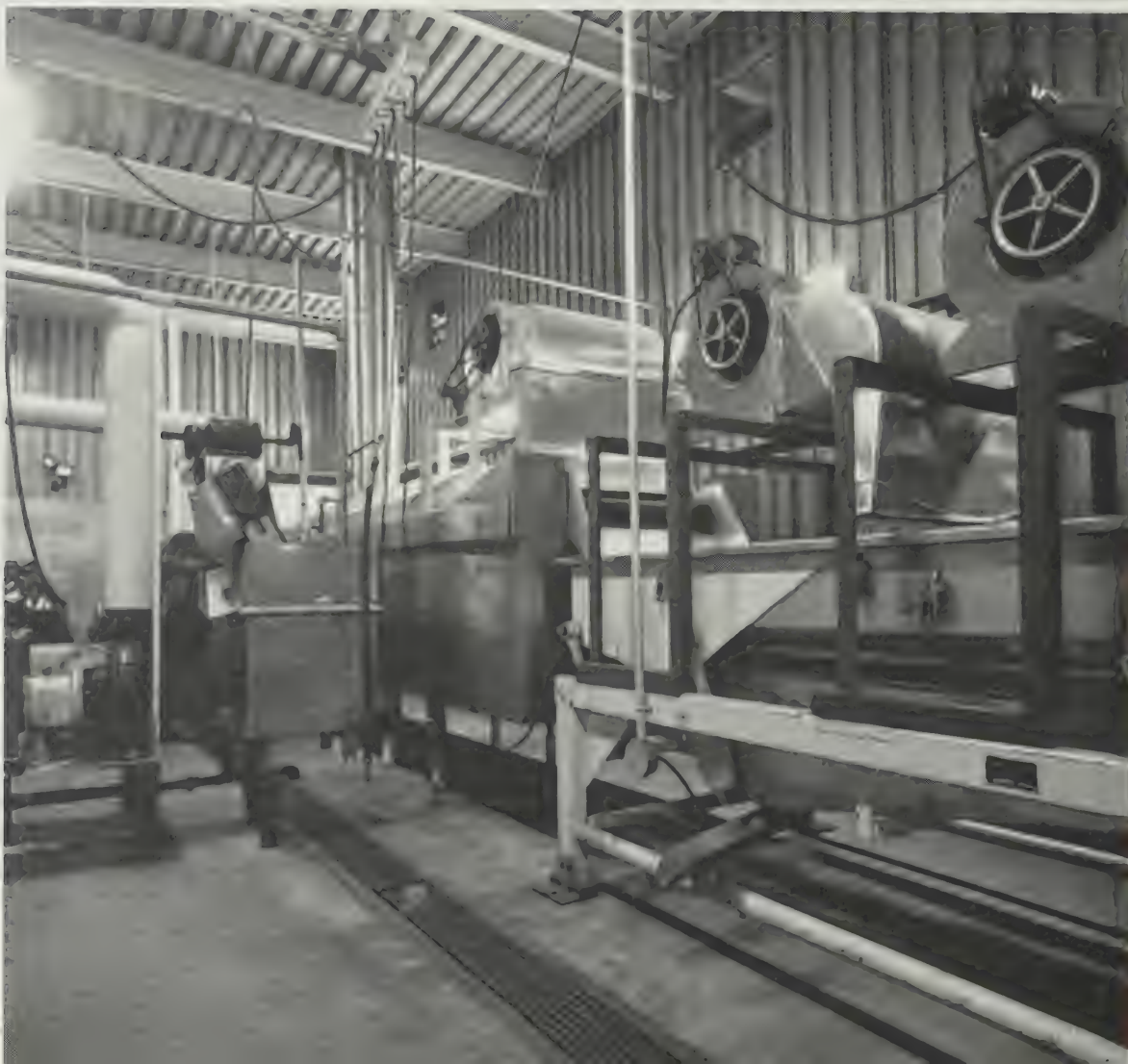
Frozen Vegetables







Automatic  
Frozen Food  
Packaging—  
Ingersoll Plant



French Fry Line—  
Lambeth Plant





Additional Potato Storage Building under construction—Lambeth









Panoray peeled pot-ready vegetables arriving at a Toronto hospital







Plant Addition Freeze-Dry Foods Limited—Oakville







